

REMARKS

Reconsideration of the above-identified application in view of the remarks following is respectfully requested.

Claims 1-24 are in this case. Claims 1-24 have been rejected.

35 U.S.C. § 102(b) Rejections – Sullivan

The Examiner has rejected claims 1-22 as being anticipated by Sullivan et al. The Examiner's comments are hereby respectfully traversed.

Sullivan et al cites a system for a central based universal financial management and translation mechanism for currency exchange. The system offers individual users and small businesses a method that integrates different financial features, and actions. The service taught by Sullivan et al is accessible over the internet and therefore can be used by anyone as a currency conversion tool, though a very risky one, because for cross-border transactions, including e-commerce transactions for example, the actual movement of funds takes place at least 3-4 days after the price is agreed. There may be changes in the currency exchange rate until the actual payment occurs. If indeed this happens, at least one of the sides in the transaction suffers a loss or is at least exposed to risk. For example, if the price was fixed in the currency of the seller, the buyer suffers a loss if the buyer's currency weakens during the period and gains if the currency strengthens, while the seller is not exposed. In scenarios where price is fixed in the currency of buyer, the seller is at risk for similar reasons. .

The risk further increases because although initial payment may be made relatively soon after the purchase, the final settlement of payment by the buyer may

require more time, for example in the case of credit cards. In this situation, the buyer may purchase a product for a particular price in the buyer's currency; however, the time which elapses until the buyer must pay the credit card company is typically about one month. This delay exposes either the buyer to currency risk, as the buyer may suddenly find the price to be much higher than expected due to shifts in the exchange rate, or the credit card company to currency risk.

Sullivan et al also cites the ability to check and perform the conversion of currencies also on line, while performing some financial transaction, especially if the different participants in the transaction use two different currencies, although the conversion is done when the transaction is finished. Therefore, at least one significant problem with Sullivan is that although the price may be converted into the currency of the buyer at the time of initiating the purchasing process, such a process may require a significant amount of time to be completed, as described in greater detail below.

Therefore, the teachings of Sullivan are different from those of the present invention because they do not in any way guarantee the amount of money to be exchanged in either of the currencies of the vendor and the buyer. The only part of the transaction that is guaranteed is the exchange rate at the time of displaying the final price, which occurs at the initialization of the purchase process. This could easily cause at least one of the sides in the transaction a loss, as described above, because the purchase process requires time to complete, during which the currency exchange rate may change.

Sullivan shows in Figure 1, cited from background art, and quotes in column 4 lines 64-67, that in the existing method, after a transaction has been completed, a significant time delay exists until the settlement process between the partners in the transaction is completed. As can be seen in Figure 4, Sullivan offers no solution for

the problems arising from the length of the settlement process between the different parties in the transaction, which causes the movement of funds to occur over a period of time rather than instantaneously. Between the time of offering real time data to user 513 until the time of aggregate conversion requests 515, and from that time until the distribution of converted currency as requested 519, a substantial period of time may elapse. During this time period, it is not unlikely that there will be currency rate fluctuations.

Currency exchange is a sort of zero-sum-game. A zero-sum-game is defined as “a contest in which one person's loss is equal to the other person's gain”. In currency exchange, if the exchange rate is not totally static, once the exchange rate is set, one of the sides in the transaction will lose by the fluctuations in the exchange rate. Specifically for currency exchange, fluctuations may happen every minute, and the exchange rate is often non-static. In fact, many currency traders make significant sums of money on currency rates changing within minutes. Therefore, the solution that Sullivan suggests, by setting the exchange rate at the start of the purchasing process, for example at the time the auction is closed, (as shown in the example column 10 lines 23-36) does not take into account the time required to move funds across international borders from a buyer's account to a seller's account (typically 3-5 days), only after which the actual currency conversion may occur. It also does not solve the problem of having a risk by one of the participants in the transaction, but rather ensures that such a risk of loss is present, due to the nature of currency exchange rates. Setting the exchange rate in real time at the time of the transaction, or discovering the price at the time of the transaction, is meaningless unless this price is guaranteed, because otherwise by the time the transaction will be financially finalized the currency

exchange rates will change and as mentioned before at least one of the participants in the transaction will be at risk.

By contrast, the present invention provides a system and method in which the price is guaranteed both to the buyer *in the buyer's local currency*, and to the seller *in the seller's local currency*, as well as guaranteeing the exchange rate when funds are actually transferred. Providing such a guarantee is important, since it would be expected to cause exposure to risk to at least one of the parties of the transaction if the exchange rate fluctuated. As the global (world-wide) exchange rate clearly cannot be under the control of the buyer or the seller, the present invention provides a mechanism which enables the exchange rate to be guaranteed to both the buyer and seller, even if there is a delay in the actual transfer of the payment to the seller and/or of collection of the payment from the buyer.

Sullivan et al teaches "Individual user **2 106** is shown to communication with various intermediate applications **108**, such as various e-commerce websites that involve payments within a national or multinational currency or payments in an international currency... upon successful winning bid by the individual **2 106** will allow the auction application **108**, to convert the buyer's currency to the seller's currency at the time the auction is closed". The Examiner states that with this the conversion of the currencies is guaranteed.

As mentioned above, and according to the teachings of Sullivan et al, the currency conversion is done at the time the auction is closed, which strictly defines the sum being paid in a certain currency, but also does not guard against a loss by one of the sides of the transaction, due to the fact that the sum of payment is set in some currency, any currency rate fluctuation will cause a loss by one of the sides, or by the financial institution handling the transaction.

Furthermore, the word “hedging” is not mentioned in any place in the teachings of Sullivan, nor is the word “risk”. Thus, it is clear that there is no teaching of the concept of hedging in Sullivan, nor is there teaching of handling the risk of potential loss involved in a multicurrency web-based transaction, and therefore these concepts cannot be used as relevant art for this matter.

The present invention guarantees in advance of the transaction, the exact sum that will be paid by the buyer, the exact sum that will be received by the vendor, and the exchange rate to be applied when funds are moved is also guaranteed, as brought in claim 1 as filed and amended in a previous office action:

“A method for supporting a transaction for purchasing a product by a buyer from a vendor, the product having a price, a local currency of the buyer being different from a local currency of the vendor, the buyer communicating with the vendor through a network, the method comprising:

“Determining an exchange rate of the local currency of the vendor to the local currency of the buyer;

“Converting said payment from the local currency of the buyer to the local currency of the vendor to form a converted payment according to said exchange rate, wherein said exchange rate is guaranteed at a time of calculating said final price of the buyer, such that the price in the local currency of the vendor is guaranteed and such that the price in the local currency of the buyer is guaranteed;”

Applicant notes that the background art teaches only a guarantee of the exchange rate, and in fact ensures risk exposure by one of the parties in the transaction, whereas use of the present invention guarantees the price paid by the buyer in the buyer’s currency, the payment received by the vendor in the currency of the vendor, and also guarantees the exchange rate which is used in the transaction.

Moreover, the present invention can guarantee the value of any transaction involving different currencies of buyer and seller, whenever the times of price negotiation and settlement of funds differ. Additional scenarios served by the invention include cross-currency subscription or installment purchases and market driven price consistency per local market.

Sullivan teaches that the price of a dual currency transaction can be determined dynamically at the time of purchase using wholesale conversion rates. The present invention solves the risk issue for the different participants in the transaction, and the problem formed by the large time lapse between the purchase transaction and the actual time of payment, which is still existent in the system taught by Sullivan. Therefore it is clear that the teachings are very different between the present invention and the system of Sullivan.

35 U.S.C. § 102(b) Rejections – Reeder

The Examiner rejected claims 23-24 as being anticipated by Reeder. Reeder cites a billing system for on-line computer networks, using currency conversions as a part of the system, when needed due to the different sides of the transaction using different currencies. Reeder teaches that the data center, holding the different currencies and serving as an intermediary in the transaction, is in communication with several outside services, such as banking services. The Examiner chooses to view these outside services as financial institutions, which are therefore subject to the properties common in such institutions. The Examiner states (as quoted herein below) that according to the teachings of Sullivan et al hedging is an inherent property of large financial institutions, and therefore an inherent property of the outside services

taught by Reeder. Applicant specifically traverses this statement as Sullivan does not teach hedging specifically.

Furthermore, although in many large companies, the issue of protection of funds and minimizing the risk of loss due (in this case) to currency price fluctuation, otherwise known as hedging, may be handled, it is not a service that financial institutions provide to their customers in relation to the clearing process. Therefore, hedging is not an inherent property of large financial institutions. In addition, any such protection or hedging is done in order to protect the financial institution itself, and not the buyers and/or sellers operating through such an institution, in contrast to the system taught by the present invention, which guarantees protection to all participants in the transaction. While some financial institutions may offer currency-hedging services to their customers, this is for large amounts only (\$50,000 or more) in relation to the total exposure of a customer to a particular currency, rather than a transaction-based hedge. This service has never been implemented as an integral part of the purchase flow between the seller and the buyer, as for the present invention.

The need for hedging of small single transactions, such as for credit card transactions, has only come into common knowledge recently. When the present application was filed, the concept of hedging of single transactions as an integral part of the purchase process was not known, and therefore cannot be used as an argument against the present invention from hindsight.

At the time of Reeder's invention, the problem created by e-commerce in different currencies, and the length of delay there is between the time the purchase is negotiated and the time the payment is actually done, was not predicted or handled by available solutions. It was assumed that if the payment is made according to the exchange rate, there would be no loss to either of the sides in the transaction. This is

the reason Reeder doesn't teach hedging, and as mentioned above, nor does Sullivan. Only now, after the filing of the present application, when the full scale of the problem has become more widely recognized, has hedging become a system for securing individual small amount transactions, and this too is only performed by few companies, mainly by the owners of the present invention.

The Examiner rejects claims 23-24 as being anticipated by Reeder, and mentions that the invention of Sullivan et al provides evidence for the rejections. The invention of Reeder was not taught in combination with the invention of Sullivan et al, nor was it suggested or mentioned that the billing system taught by Reeder can be used together with a currency changing utility taught by Sullivan. Therefore, one of ordinary skill in the art would not have been motivated to combine the two inventions. Even if one would be so motivated, the combination of the two inventions would not result in the present invention because it would still not have solved the problem of the loss caused by the time delay from the currency conversion to the actual time of payment. In addition, the concept of hedging, used to ensure that there be no risk of loss as mentioned above would not be taught in the resulting combined invention. Therefore, there are a number of clear aspects of the present invention, which are not taught by either of the two inventions or by their combination.

Quoting now from the rejection made by the Examiner: "The banking transaction companies act as clearing houses (pay vendors, hedging is an inherent property of large financial institutions, see Sullivan et al as evidence), to process transaction for a number of credit card issuers. The banking transaction companies submit transactions to credit card issuers for authorization and account settlement."

Applicant wishes to point out that hedging is not currently offered by financial institutions as part of the clearing process, nor is hedging available for small value

transactions and therefore should not be regarded as an inherent property of large financial institutions with respect to their role as clearing houses. In addition, any such protection or hedging is done in order to protect the financial institution itself, and not the buyers and/or sellers operating through such an institution.

Quoting now from the present application page 16 line 13 to page 17 line 6:

“A hedging enabler process **28** is inserted between a process for receiving payment **30** from buyer **14**, and a process for effecting payment **32** to vendor **12**. Hedging enabler process **28** is also optionally and preferably described as a central managing entity, as hedging enabler process **28** preferably manages the transactions ... Hedging enabler process **28** receives the price from vendor **12**, determines the appropriate exchange rate from the local currency of vendor **12** to the local currency of buyer **14**, and then provides the price to buyer **14**, while also guaranteeing that vendor **12** will receive the full payment in the local currency of vendor **12** at a future settlement date. This entire process can also be described as hedging at the point of sale”.

Contrary to what is taught by Reeder, the present invention refers to hedging for all participants in the transaction, as brought in claim 1 of the present invention and quoted above.

Aside from the Examiner's mention of hedging as being an inherent property of large financial institutions, which Applicant specifically traverses as previously described, the concept of hedging is neither taught nor suggested by Reeder, rendering it an important difference between Reeder and the present invention as recited in claims 23-24.

Reeder does not even mention hedging, or any process that is similar to hedging, because Reeder is not concerned with the effect of currency fluctuations on a

price, as charged to the buyer, as paid by the buyer, or as paid to the seller. In the transactions dealt with by Reeder, there are at least three points where currency fluctuations can cause a loss to one of the parties.

Reeder does not provide "up front" knowledge of the amount to be charged in the buyer's local currency, and as such, due to recent regulations published by some credit card companies, would not be approved by them for submitting payment transactions through their networks.

One way to resolve the problems of potential loss due to currency fluctuation is by hedging. Reeder does not teach any type of protection for currency fluctuations, because Reeder does not even mention currency fluctuations. Reeder's taught system operates without regard to such fluctuations, and certainly operates without any reference to protection for such fluctuations. Thus, Reeder does not teach or suggest hedging.

In view of the above remarks it is respectfully submitted that claims 1-24 are now in condition for allowance. Prompt notice of allowance is respectfully and earnestly solicited.

Respectfully submitted,



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Date: November 20, 2003